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SUBJECT: Talking Points for DDCI's Meeting with PRIAB

Let me begin by providing a brief synopsis of developments in Nicaragua. The briefing that we will present is essentially the same as has been given to senior members of the Administration, including the President.

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The Sandinistas

-- After seven years of Sandinista rule, the economy is in shambles. There is soaring inflation, declining productivity, real wages have been cut in half. Export earnings are half of those of 1978. Further, the population is suffering widespread food shortages including staples. This has provoked a ground swell of discontent that in recent months has led to spontaneous demonstrations.

-- The internal security services have expanded in size and the scope of their duties under Interior Minister Borge. The regime is using a variety of methods up to "special measures" i.e., executions to quell dissent.

-- The Sandinista military has expanded in size and is greatly improved over the past 18 months. Their units are now more integrating Soviet weapons, especially helicopters to improve their mobility and firepower.

-- There has been a consistent high rate of desertion within the Nicaraguan Army: some to the Nicaraguan resistance others have gone home or into hiding. The Army's militia is not adequately trained or led and recent reports show that main force units are taking larger numbers of casualties because they have lost many veterans.

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Executive Registry

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Internal Opposition

-- Sandinista repression of the internal opposition continues unabated. They have closed La Prensa, the last independent paper, expelled key leaders in the Catholic Church, and arrested members of the independent political opposition. The specter of U.S. assistance to the external opposition is providing the excuse to expand the crack down on the opposition.

The External Nicaraguan Resistance

-- Despite the cutoff of U.S. support for two years, the resistance forces remain viable. The Nicaraguan Democratic Force has expanded to 17,000 men. The forces of MISAN and in the South are in desperate need of supplies, ammunition, and medicine, but until recently kept credible forces in the field.

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-- Experience shows that the Sandinistas only negotiate when forced to. Our aid will allow the resistance to provide the needed pressure to bring the Sandinistas into dialogue. We are unable to predict with accuracy when this will happen, but we believe at some point the Sandinistas will have to accommodate the discontent represented by the opposition forces or face being overwhelmed by popular discontent.

-- The Agency has been developed in coordination with DoD and State and will continue to seek overall policy guidance from the Department of State which is charged in the proposed legislation with overseeing the President's program.

-- An NSDD has been drafted to formalize the execution of the program. An Interagency Group on Nicaragua (IG-N), chaired by Elliott Abrams will oversee implementation of the program and will be established by the NSDD. The membership will be State, CIA, JCS, NSC, and DoD.

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